

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 L-03 H-03 PA-03

CIAE-00 DODE-00 INR-10 NSAE-00 USIA-15 PRS-01 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20 SAJ-01

RSR-01 /170 W

----- 102255

R 160841Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE 6080

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY TAIPEI

C O N F I D E N T I A L TOKYO 10520

E.O. 11652: GDS

TAGS: ETRD, JA, CH

SUBJ: JAPAN PRC TRADE NEGOTIATIONS

REF: TOKYO 10227

SUMMARY: MITI BELIEVES THAT PRC MAY BE ANXIOUS TO CONCLUDE TRADE AGREEMENT WITH JAPAN PRIOR TO TANAKA-BREZHNEV SUMMIT. MITI OFFICIAL NOTED HOWEVER THAT THERE ARE MANY SMALL BUT POTENTIALLY TROUBLESOME PROBLEMS WHICH MUST BE WORKED OUT BEFORE CONCLUSION OF AGREEMENT. END SUMMARY.

1. EMBOFFS MET AGUSUT 15 WITH SADAU UCHIDA, HEAD OF NORTH ASIAN DIV OF MITI TO DISCUSS UPCOMING TRADE AND COMMERCE TRADE AGREEMENT NEGOTIATIONS BETWEEN GOJ AND FIVE MEMBER PRC DELEGATION HEADED BY CHI YEH-SHENG, DIR OF THE FOURTH BUREAU OF THE FOREIGN TRADE MINISTRY. (SEE REFTEL) NEGOTIATIONS BEGIN IN TOKYO AUG 17 AND ARE EXPECTED TO CONTINUE
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FOR WEEK TO TEN DAYS. UCHIDA SAID THAT GOJ HOPED TO NEGOTI-

TIATE A RATHER BROAD, VAGUE FRAMEWORK WITHIN WHICH TRADE COULD BE CARRIED OUT. AGREEMENT WOULD PROBABLY BE REACHED ON FOLLOWING POINTS, UCHIDA SAID:

A. MFN - BOTH PRC AND JAPAN DRAFTS OF AGREEMENTS, PREVIOUSLY EXCHANGED, CONTAIN PROVISION CALLING FOR EXTENSION OF MFN, SO IT REASONABLE TO ASSUME THAT MFN WILL BE INTEGRAL PART OF ANY COMMERCE AGREEMENT REACHED.

B. TRADE LISTS - AGREEMENTS WOULD PROBABLY ALSO INCLUDE A LIST OF COMMODITIES TO BE TRADED BETWEEN THE TWO AND AMOUNTS FOR 1974. TRADE LIST LIKELY TO BE CONTAINED IN A SEPARATE TRADE AGREEMENT ALONG WITH OTHER ITEMS WHICH WOULD NOT REQUIRE DIET APPROVAL (I.E. TWO SEPARATE BUT INTERRELATED AGREEMENTS WOULD BE CONCLUDED). BILATERAL TRADE LIST WOULD NOT BE BINDING, BUT WOULD ONLY BE AN EXPRESSION OF TRADING GOALS.

C. TRADE COMMISSION - IT LIKELY THAT BOTH SIDES WILL ALSO AGREE TO CREATION OF A BILATERAL COMMISSION WHICH WOULD MEET PERIODICALLY TO ADJUST TRADE LISTS. (MUCH THE SAME SYSTEM IS NOW EMPLOYED IN JAPAN'S TRADE WITH THE USSR.) MAJOR BENEFIT OF THE COMMISSION, AS FAR AS JAPAN IS CONCERNED, WOULD BE TO OBTAIN INFORMATION ON PRC ECONOMIC PLANNING.

2. UCHIDA NOTED PRESS COMMENTS THAT CHINESE DEL HOPED TO CONCLUDE AGREEMENT DURING SESSION. HE SAID HOWEVER THAT THERE ARE MANY SMALL DIFFERENCES IN DRAFTS OF TRADE AGREEMENTS EXCHANGED BETWEEN TWO NATIONS, AND HE WAS THUS SKEPTICAL THAT CONCLUSION WITHIN WEEK OR TWO WAS POSSIBLE. AMONG POSSIBLE PROBLEM AREAS, UCHIDA MENTIONED (1) JAPANESE DESIRE FOR PRC RECOGNITION OF JAPANESE PATENT RIGHTS; AND (2) NEGOTIATION OF A NATIONAL TREATMENT CLAUSE, WHICH WOULD GUARANTEE JAPANESE PRIVATE FIRMS OPERATING IN PRC SAME TREATMENT AS PRC ENTITIES. (PROBLEM HERE, UCHIDA SAID, IS THAT PRC HAS NO PRIVATE FIRMS AND THUS FORMULA FOR "EQUAL" TREATMENT WOULD BE DIFFICULT TO ARRIVE AT.) PRC DESIRE FOR A LOOSENING OF COCOM CONTROLS, PARTICULARLY ON COMPUTERS, ALSO LIKELY ARISE DURING TALKS. IN CONFIDENTIAL

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RESPONSE TO QUESTION, UCHIDA SAID JAPANESE SIDE DID NOT INTEND TO RAISE TAIWAN RELATED ISSUES, BUT OF COURSE WOULD DISCUSS THEM IF PRC DEL ELECTED TO RAISE THEM.

3. UCHIDA SAID JAPANESE SIDE IN NO PARTICULAR HURRY TO CONCLUDE AGREEMENT, BUT WOULD LIKE TO SEE AGREEMENTS PUT INTO EFFECT BEFORE PRESENT MEMORANDUM TRADE AGREEMENT EXPIRES AT END OF DECEMBER. HE ACKNOWLEDGED, HOWEVER,

THAT PRC MIGHT BE ANXIOUS TO CONCLUDE SOME MAJOR AGREEMENT WITH JAPAN BEFORE TANAKA-BREZHNEV SUMMIT, AND NOTED THAT NEGOTIATION OF TRADE AGREEMENT LIKELY TO BE LEAST CONTENTIOUS AMONG AGREEMENTS CALLED FOR IN TANAKA-CHOU EN-LAI COMMUNIQUE.

4. FONOFF SOURCE (MAKITA, CHINA DIV) TOLD EMBOFF AUG 16 THAT FONOFF ANXIOUS TO CONCLUDE AN AGREEMENT WITH PRC, BUT IS UNCERTAIN IF AGREEMENT ON TRADE AND COMMERCE CAN BE REACHED DURING UPCOMING SESSION OF TALKS. HOWEVER, IT VERY POSSIBLE, HE SAID, THAT AGREEMENTS WOULD BE CONCLUDED BEFORE END OF THIS YEAR. IN ADDITION TO POSSIBLE PROBLEM AREAS LISTED BY UCHIDA (ABOVE), MAKITA MENTIONED THAT JAPANESE DESIRE FOR EMERGENCY CONSULTATION PROVISION IN EVENT OF AN INJURIOUS LEVEL OF IMPORTS FROM PRC OF A PARTICULAR PRODUCT LIKELY TO BE CONTENTIOUS ISSUE.
SHOESMITH

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